

REPORT TO THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

860.1

DISTRIBUTION OF FEDERAL
VOCATIONAL EDUCATION FUNDS
IN CALIFORNIA

MARCH 1979



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
RICHARD ROBINSON
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

STATE CAPITOL
SACRAMENTO 95814
(916) 323-1168

925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

RICHARD ROBINSON
CHAIRMAN

March 19, 1979

860.1

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report on the distribution of federal vocational education funds in California.

The report finds that recent changes in the formula for distributing federal Vocational Education Act (VEA) funds have favored large school districts. Districts with 6,000 or more students in Average Daily Attendance (ADA) in grades 9 through 12 received approximately 24 percent more per pupil in VEA funds in 1978-79 than previously. During the same period, districts with less than 6,000 students in Average Daily Attendance lost approximately 26 percent in VEA funding per pupil.

The report notes that the federal act provides considerable flexibility to the states to determine the appropriate formula for the allocation of VEA funds. The findings of this report suggest that more careful scrutiny by the Legislature of the current California formula may be appropriate.

The auditors are Dr. Joan S. Bissell and Eugene T. Potter, Supervising Auditors; and Jeffrey L. Mikles.

Respectfully submitted,

RICHARD ROBINSON
Assemblyman, 72nd District
Chairman, Joint Legislative
Audit Committee

Attachment

/ls

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| SUMMARY | 1 |
| INTRODUCTION | 2 |
| STUDY RESULTS | |
| Shift in 1978-79 Federal Vocational Education Funds | 6 |
| Absence of Legislative Role | 15 |
| Related Issues for Legislative Consideration | 17 |
| Conclusion | 23 |
| WRITTEN RESPONSE TO AUDITOR GENERAL'S REPORT | 24 |
| AUDITOR GENERAL'S COMMENTS CONCERNING DEPARTMENT OF EDUCATION RESPONSE | 27 |
| APPENDICES | |
| Appendix A--Secondary VEA Allocation Formula | A-1 |
| Appendix B--1978-79 Postsecondary VEA Allocation Formula | B-1 |

SUMMARY

The purpose of the federal Vocational Education Act is to provide persons of all ages with vocational training or retraining which prepares them for actual or anticipated employment opportunities. In 1978-79, California received approximately \$51.2 million in federal Vocational Education Act (VEA) funds. The State Board of Education and the Board of Governors of the California Community Colleges are responsible for distributing these funds to local agencies.

Our review indicates that the distribution of federal vocational education funds shifted significantly among secondary school districts between 1977-78 and 1978-79. Our review also shows that during 1978-79 funds were distributed at the secondary level such that large districts--those having the most students in attendance in grades 9 through 12--received substantially more funding per pupil than did small districts. Overall, community college districts did not undergo significant changes.

The study suggests the potential value of legislative review of procedures for distributing California's federal vocational education funds. Administrative problems in allocating VEA funds and alternatives for distributing these funds are also described.

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we are examining vocational education financing in California. As part of our study, we have reviewed the distribution of federal vocational education funds. This is intended to be an informational report only and as such contains no recommendations. This review was conducted under the authority vested in the Auditor General by Government Code Section 10527.

Purpose of Federal Vocational Education Act

The purpose of the federal Vocational Education Act (VEA) of 1976 is to provide persons of all ages with vocational training or retraining which prepares them for actual or anticipated employment opportunities. The VEA authorizes federal grants to states to improve and extend existing vocational education programs, and to develop new ones.

Program Administration and Delivery

Although the State Board of Education is the sole California agency which has mandated responsibility for administering federal Vocational Education Act (VEA) funds, both the State Board and the Board of Governors of the California

Community Colleges share administrative responsibility for the federal vocational education funds in the State. The VEA funds are part of the overall vocational education system administered jointly by the Department of Education's Vocational Education Unit and the College Services Division of the Community Colleges Chancellor's Office.

Secondary and adult schools, community colleges, and regional occupational centers and programs (ROC/Ps) deliver public vocational education programs. During fiscal year 1976-77, the Department of Education reported that the State's total vocational education enrollments exceeded 2 million, with 55.6 percent of enrollment at the secondary and 44.4 percent at the postsecondary level.

Vocational Education Funding

Federal, state and local sources finance vocational education. In fiscal year 1978-79, California received approximately \$51.2 million in federal VEA funds. State school apportionment and local revenues provide another source of funding for vocational education programs. The table on page 4 summarizes vocational education expenditures and enrollments reported for fiscal years 1974-75 through 1978-79. The table

Vocational Education Expenditures*
and Enrollments for Fiscal Years
1974-75 Through 1978-79

| | <u>1974-75</u> | <u>1975-76</u> | <u>1976-77</u> | <u>1977-78</u> | <u>1978-79</u> |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Federal | (41,634,000) | (38,542,000) | (43,994,000) | (44,346,000) | (51,213,000) |
| State/local | (412,814,000) | (434,358,000) | (462,689,000) | (600,000,000) | (590,000,000) |
| Total Available Funds | <u>\$454,448,000</u> | <u>\$472,900,000</u> | <u>\$506,683,000</u> | <u>\$644,346,000</u> | <u>\$641,213,000</u> |
| Enrollment:** | 1,761,000 | 1,765,000 | 2,001,000 | Not Available | Not Available |

Source: Department of Education (unaudited)
Legislative Analyst

*This table does not include support for state operations.

**Enrollment figures are not unduplicated counts. Students enrolled in more than one course or program may be reported as enrolled more than once.

illustrates that the federal VEA funds represent only a portion of the State's total vocational education funds.

Study Scope and Methodology

This report focuses on the distribution of VEA funds and procedures for their allocation used during 1977-78 and 1978-79. Because these funds have shifted significantly within secondary districts, we have emphasized the processes and results at that level. Furthermore, we did not comprehensively review sources and uses of vocational education funds. Rather, this area will become the topic of a second report in which state and local funds will be examined more extensively.

In conducting the study, we interviewed staff at the Department of Education, Community Colleges Chancellor's Office, local education agencies, the U.S. Office of Education and other relevant agencies. In addition, we examined applicable legislation and regulations, state policies and pertinent records and reports.

STUDY RESULTS

SHIFT IN 1978-79 FEDERAL VOCATIONAL EDUCATION FUNDS

Prior to the 1976 VEA Amendments, the Department of Education allocated VEA funds primarily to those districts whose vocational enrollment constituted a substantial portion of their total enrollment. Historically in California, vocational education enrollments in rural schools were higher, on a percentage basis, than were those in urban schools. Consequently, rural districts received relatively large portions of federal funds.

The federal Vocational Education Acts of 1968 and 1976 both require the State to consider many of the same elements in approving applications for funding. Both mandated that the State consider: programs serving current and projected manpower needs (particularly new and emerging needs); the need for vocational education, particularly for the disadvantaged and handicapped; and districts' relative financial ability to provide necessary resources to meet vocational education needs, particularly in economically depressed areas.

The 1976 Act, however, further established priorities and distribution factors. Specifically, the VEA Amendments of 1976 require that states give priority to those local agencies:

- Located in economically depressed areas and areas with high rates of unemployment
- That propose innovative programs designed to meet new and emerging manpower needs and job opportunities.

Moreover, VEA of 1976 specifies that the two most important criteria for determining funding allocations to local education agencies must be (1) district relative financial ability to provide resources to meet vocational education needs and (2) numbers or concentrations of low-income families or individuals. The Joint Committee on Vocational Education in conjunction with staff from the Department of Education and the Community College Chancellor's Office developed formulas for both secondary and postsecondary districts.* In response to federal mandates, both distribution formulas were modified for 1977-78 and 1978-79.

*This Committee is now the Joint Policy Council on Vocational Education.

Composition of VEA
Distribution Formulas

The 1978-79 secondary and postsecondary formulas for distributing federal VEA funds contain different factors and weights. The secondary formula includes district factors for students receiving Aid to Families with Dependent Children (AFDC), limited- and non-English speaking students (LES/NES), vocational average daily attendance (VADA), total average daily attendance (ADA), and relative financial ability (RFA). The factor weights are as follows: AFDC (25%), LES/NES (20%), VADA (17%), ADA (17%), RFA (21%).

The postsecondary formula contains district factors for relative financial ability (RFA), vocational average daily attendance (VADA), concentration of low-income families (CLIF), and unemployment percentage (UE). The factor weights are as follows: RFA (26%), VADA (15%), CLIF (35%), UE (24%).

The formulas are included in this report as Appendices A and B, pages A-1 and B-1.

Summary of VEA Fund Shift
within Secondary School Districts*

Federal vocational education funds shifted significantly among secondary school districts from 1977-78 to 1978-79. In addition, funding to large school districts was substantially greater per pupil in 1978-79 than was funding to small districts.

Specifically, based on four samples, each with twenty-six secondary districts, we found the funding patterns described below.

Comparison of Large Districts
to Small Districts

- Districts with over 6,000 total students in Average Daily Attendance (ADA) generally received an increase in VEA funds.** The average gain was approximately 24 percent per ADA
- Small districts, those with less than 6,000 students in ADA, generally had a decrease in VEA funds. The average loss per ADA was 26 percent

*All data are based upon judgment rather than random sampling. Through analysis of a number of different samples, it was determined that the overall conclusions were valid.

**Measures of ADA, AFDC and LES/NES students are all based on 1976-77 data, the most current data available, for grades 9 through 12.

- In 1978-79, average federal VEA support per student for relatively large districts (those with over 6,000 students) is estimated to be 50 percent greater than for small districts.*

Comparison of Districts With
Large and Small Vocational
Education Enrollments

- In 1978-79, districts with over 1,000 vocational education enrollments received an average increase in per pupil VEA allocations of 21 percent
- In 1978-79, districts with less than 1,000 vocational education enrollments generally realized an average reduction in VEA allocations of approximately 25 percent
- In 1978-79, districts with relatively large absolute vocational education enrollments--those over 1,000--received an average of 107 percent more federal funds per student than did districts with less than 1,000 vocational educational enrollments.

*Per pupil funding data are based on district ADA figures (grades 9 through 12).

Comparison of Districts Based
On AFDC Counts

- Districts with over 200 students from families on welfare (Aid to Families with Dependent Children--AFDC) generally received increased VEA allocations in 1978-79. The average increase was approximately 17 percent per pupil
- Districts with fewer than 200 AFDC-identified students generally received lower VEA allocations for the 1978-79 school year than the previous year. The amount of decrease in funding averaged approximately 13 percent per pupil with some districts having reductions of over 50 percent*.

Comparison of Districts With
Large and Small LES/NES Counts

- Districts having a relatively large population of limited-English speaking or non-English speaking pupils--over 200 such pupils--averaged a 17 percent increase in allocation per ADA from 1977-78 to 1978-79

*These figures are based on per pupil funding amounts.

- Approximately 85 percent of the districts with fewer than 200 LES/NES pupils realized a reduction in their federal VEA allocations per pupil in fiscal year 1978-79. The average amount of reduction was approximately 15 percent per LES/NES pupil
- Districts with more than 200 LES/NES students averaged approximately 160 percent more federal VEA funds per ADA than those with fewer than 200 such students.

For each of these factors, the absolute number of students (in grades 9 through 12) within the district in the specified category was directly related to VEA funding in 1978-79. In summary, size as measured by ADA, total number of vocational education enrollments or absolute number of low-income students was a principal factor which determined funding rather than the concentration of pupils in these categories within the district. Overall, the structure of the formula resulted in funding largely in relation to district size or total ADA.

In further analyzing the relative effects of various factors on funding under the 1978-79 formula, we found that:

- The ten largest districts in the State (based on total ADA for grades 9 through 12) have 23 percent of the vocational education enrollment, but received 33 percent of VEA funds
- The ten districts with the largest vocational education enrollments constitute 25 percent of such enrollments and received approximately 30 percent of VEA funds.

These data again illustrate that large districts as measured by district ADA or numbers of vocational enrollments receive larger amounts of per pupil funding. However, district ADA--an indicator of size--is the more significant factor in generating large per pupil VEA grants.

We also found that:

- During 1978-79, the ten largest districts (based on grades 9 through 12 ADA) received over twice as much in VEA funds per vocational enrollee than did enrollees in a random sample of small districts*

*Specifically, a vocational student in a large district (over 6,000 ADA) averaged a \$41 allotment whereas a student in a small district received an average of \$16.

- Between 1977-78 and 1978-79, VEA funding statewide increased 7 percent, while funding to the ten largest districts (based on ADA figures) increased approximately 22 percent.

VEA Fund Shifts in
Postsecondary Districts

Overall, community college districts did not undergo as significant a shift in VEA funds as did secondary districts. Seventy-one percent of the districts received some funding increases, while approximately 29 percent lost federal funds. However, for the majority of districts the magnitude of per pupil funding changes from 1977-78 to 1978-79 was not as substantial as for many secondary districts.

ABSENCE OF LEGISLATIVE ROLE*

The Legislature has had little or no involvement in decisions concerning state allocation of California's federal vocational education funds. Policy decisions regarding federal VEA funds have been undertaken largely independent of school finance policy overall.

In the case of other state-funded education programs, the Legislature generally determines the allocation procedures. For categorical programs, for example, the Legislature typically establishes the factors to be used in allocating financial support among districts and their weights, which indicate the relative importance of individual factors. The Legislature generally determines formulas through enabling legislation after considering the fiscal impacts of a range of alternative options.

For federally-funded programs, however, legislative input occurs in differing ways. The type of legislative involvement depends on the degree of specificity contained in federal law and the discretion available to the State. In a number of federal programs which allow the state discretion in the allocation of funds, the Legislature has been partly responsible for designating funding procedures and/or priorities.

*Chapter 1284, Statutes of 1978 provides for legislation appropriation of federal funds received by the State and deposited in the State Treasury. SB 353 (Vuich) would require any state agency which is required or permitted by federal law or regulation to alter a federal aid allocation formula, and which proposes to alter such a formula affecting \$100,000 or more in federal aid in any fiscal year to a local agency, to notify the Joint Legislative Budget Committee, and would permit the committee to schedule a hearing on the proposed change.

For example, the Legislature has established a distribution formula which attempts to coordinate federal funding under the Elementary and Secondary Education Act (ESEA) Title I, the second largest source of federal educational assistance to California, with state funding for compensatory education under the Educationally Disadvantaged Youth program. And in the case of ESEA, Title IV-C, a program intended to support innovative and exemplary educational programs, the Legislature has often designated that specific priorities be included for allocating funds.*

In contrast, the State Board of Education and the Joint Committee on Vocational Education have been responsible for establishing policy and determining distribution procedures for federal VEA funds.** The Joint Committee proposed the factors and factor weights for the 1978-79 distribution formula to the State Board of Education and the Board ultimately approved the distribution formula.

In conclusion, the Legislature has not had the same degree of input in determining the distribution formulas for federal VEA funds as it has had for many other state and federal programs.

*These have included improvement of cognitive skills and district and school management leadership.

**The Joint Committee on Vocational Education is now the Joint Policy Council on Vocational Education. This body was established by a cooperative agreement between the Board of Education and the Community College Board of Governors.

RELATED ISSUES FOR
LEGISLATIVE CONCERN

Enrollment Counts Inaccurate

Equitable distribution of funds requires an accurate data base. The Department of Education, however, is not receiving from districts accurate vocational participation data. As an illustration, 12 percent of secondary districts reported vocational education enrollment to be greater than the total secondary enrollment during 1976-77.

These inaccurate enrollment counts may be occurring because student counts have been duplicated in the district's vocational education program. Districts may be counting students taking classes in different vocational occupation areas twice--once in each individual area--and again when the district data is aggregated for reporting purposes. In the past, the Department of Education has not verified vocational enrollment figures submitted by districts; however, recent attempts have been made to identify data-related problems.

It is also significant that in a recent review of attendance in California schools, our office noted problems in local attendance accounting. Problems in this area are relevant to VEA funding because figures for average daily attendance (ADA) have been used in determining the basic federal vocational education grant to districts. Enrollment figures have been used for determining special funding for handicapped pupils.

Incorrect Data In Formulas

The Department of Education initially used incorrect district data in the 1978-79 distribution formula. Initially, the secondary formula contained district data for grades kindergarten through twelve instead of for only grades nine through twelve. The mistake was identified and districts were informed of it two months after initial notification of funding levels was given. Districts informed us that the data error hindered district planning, budgeting and administration and disrupted vocational education program enrollments and staffing.

OPTIONS TO ENSURE EQUITABLE FUNDING

Relative Financial Ability and Low Income*

One of the two major factors which is required to be of greatest weight in the VEA distribution formula is relative financial ability which is intended to reflect a district's ability to provide those resources necessary to meet vocational education needs. There are a number of indicators that may be used to measure this factor. Assessed property value has been used in California, and is still used in many other states, as an indicator of a district's relative financial ability. However, as a result of Proposition 13, the significance of assessed valuation is changed due to limits on school district's ability to tax.

But several alternative factors can indicate relative financial ability. These include, but are not limited to, median family income/district, and the district's guaranteed funding level/ADA or adjusted base revenue limit/ADA (in accordance with SB 154.**). Alternatively, relative financial ability could be measured by a combination of these or other factors in relation to the statewide average.

*Based upon information obtained from the U. S. Office of Education, the Department of Education and the Community College Chancellor's Office initially interpreted the 1976 vocational amendments as specifying that the two factors which are to be most important--relative financial ability and low-income population--must constitute over half of the determination of funding. In response to an inquiry from our office and in a recent regional meeting, the U.S. Office of Education indicated that the only limitation is that these two factors must individually be assigned more weight than any other one factor in the formula.

**Chapter 292, Statutes of 1978 provides state funds to districts to deal with effects of Proposition 13, the Jarvis-Gann Property Tax Initiative.

The second major factor of concern in the distribution formula is the district's relative number or concentration of low-income families or individuals. There are a number of differing alternatives for determining low income. Among the measures suggested by authorities are AFDC counts, which are used in the secondary formula; the Orshansky Poverty Index, a federal measure of poverty utilizing 1970 census data; median family income levels; and LES/NES pupil counts. These measures may be used alone or in any combination.

Knowledgeable individuals express concerns about various low-income indicators. It has been alleged that AFDC counts reduce funding for school districts with high concentrations of poor children not identified as AFDC students (including rural districts) and tend to direct funds to large districts.* Other critics contend that Orshansky poverty counts are based on outdated concepts and data.** Some question the consistency and accuracy of LES/NES data, citing that the different methods used among districts for measuring student language ability and the inherent limitations in assessment of language ability yield inconsistent figures.***

*Garcia J. and Espinosa R., "EDY: A Case of Discrimination in the California Public Schools", Una Nuevo Dia, 1977.

**Congressional Budget Office, Poverty Status of Families Under Alternative Definitions of Income, Washington, D.C., 1977.

***Dulay H. and Burt M., Aspects of Bilingual Education for LES/NES Students, Lau General Assistance Center for Northern California, San Francisco, CA., 1978.

Absolute Versus
Relative Size and
Concentration of Target
Populations

Another issue which relates to developing allocation formulas for federal vocational education funds is the use of absolute size versus relative or proportionate size in measuring student participation. Absolute size counts reflect such factors as total numbers of vocational students within particular districts. Relative size indicators reflect factors such as district ADA or enrollment figures as a percentage of statewide ADA or enrollment. Formulas could be constructed to reflect either of these, to combine both absolute and relative participation indicators, or to reflect concentration of various target populations within districts on an absolute or relative basis.*

Distribution Formulas
Used In Other States

We analyzed factors used in distribution formulas in twelve other states and found various approaches. The factors that receive the most consideration by other states are: (1) relative financial ability, (2) concentration of low income


*Target populations could include district AFDC or LES/NES counts as a proportion of total district enrollment.

families or individuals, (3) number of disadvantaged and handicapped students and (4) the need for and magnitude of vocational education within the area. Each of the four factors has been used to some extent in California's funding formulas. Other states vary widely in the use of indicators. We found at least ten different indicators within the twelve states. Some states also include factors not used in California such as program quality, new and emerging manpower needs, transportation costs, excess program costs and attention to reduction in sex stereotyping.

CONCLUSION

California has several options in structuring formulas for distributing federal Vocational Education Act (VEA) funds. The secondary formula adopted in 1978-79 allocated funds according to the size of a school district. The district's total Average Daily Attendance (ADA) of grades 9 through 12 was a significant determinant of funding. Measures of absolute numbers of vocational enrollments and low income population rather than concentrations of such students also affected funding. Errors have occurred in the Department of Education's administration of VEA funds. The Legislature has had a lesser role in determining procedures for allocating VEA funds than it has had for other federal and state educational programs. These issues indicate the potential value of legislative oversight of the distribution of California's vocational education funds.

Respectfully submitted,


THOMAS W. HAYES
Acting Auditor General

March 14, 1979

Staff: Joan S. Bissell, Supervising Auditor
Eugene T. Potter, Supervising Auditor
Jeffrey L. Mikles



STATE OF CALIFORNIA
DEPARTMENT OF EDUCATION

STATE EDUCATION BUILDING, 721 CAPITOL MALL, SACRAMENTO 95814

March 14, 1979

Mr. Thomas W. Hayes
Acting Auditor General
925 L Street, Suite 750
Sacramento, CA 95814

Dear Mr. Hayes:

On Friday, March 9, 1979, the Department of Education received a draft copy of Report 860.1, "Distribution of Federal Vocational Education Funds in California," prepared by the Office of the Auditor General. The Department appreciates the opportunity to review and comment on the draft report.

At the onset, it needs to be made completely clear that the Department of Education and the State Board of Education believe the intent of PL 94-482, the Educational Amendments of 1976, was to place a high priority on providing funds to school districts which serve large populations of students from low income families. Further, it is our belief that the allotment formulas adopted for Program Year (PY) 1977-78 and 1978-79 successfully implemented the congressional intent.

The Department and the State Board are currently reviewing the procedures and priorities for the allocation of federal vocational education funds to local educational agencies. The procedure includes the active involvement of representatives of local educational agencies, as well as input from members of the Legislature.

In our opinion, the findings of the report are accurate and correctly report the impact of changes on vocational education as a result of adjustments made in the allotment of federal vocational education funds for PY 1978-79.

The Department also agrees with the conclusion that district size as measured by grades 9-12 average daily attendance (a.d.a.) and measures of absolute numbers of vocational enrollments, AFDC (Aid to Families with Dependent Children), and LES/NES (limited and non-English speaking students) were the significant determinants of funds to secondary school districts for PY 1978-79.

The Department acknowledges the fact that the federal act provides considerable flexibility for states to determine the relative importance to be placed on the various factors included in an

allotment formula. Federal law does specify, however, that the two most important criteria for determining funding allotments must be (1) district relative financial ability to provide resources to meet vocational education needs and (2) numbers or concentrations of low income families or individuals.

The use of percentages instead of actual dollar amounts to describe the shift in funds to secondary school districts between 1977-78 and 1978-79 has the tendency to over-emphasize the impact of the change on the districts' ability to provide vocational education.

During 1978-79, it is estimated (page 4 of the report) that federal funds represent less than 8 percent of the total expenditures for vocational education in California - 92 percent of the expenditures are state and local funds.

As an example, the report identifies the fact that districts with over 1000 vocational education enrollments received an average of 107 percent more federal funds per student than districts with less than 1000 vocational education enrollments. The average dollar amounts for the larger districts are estimated to be approximately \$30 per student and approximately \$14 per student for the smaller districts. The difference, \$16, when added to the statewide average revenue limit per student (available state and local funds per student), estimated to be \$1500, is a relatively small amount. In other words, on the average, a large district has \$1530 (federal, state, and local) available to support a vocational education student, while a small district has \$1515. The Department is cognizant of the fact, however, that even this small amount is important to school districts in this period of reduced funding for education.

The report points out that funding changes per student for the majority of community college districts was not as substantial as for many secondary districts. This finding could have been anticipated due to the fact that there is far less variation among the 70 community college districts which serve relatively large populations as compared to the vast differences among the 370 secondary districts.

The report identifies the fact that the Legislature has had little or no involvement in decisions concerning state allocation of California's federal vocational education funds. It should be pointed out that the regular budget process includes legislative review of the Department of Education budget and provides the opportunity for the Legislature to review and recommend action on the vocational education state operations budget as well as the allotment of federal funds for local assistance.

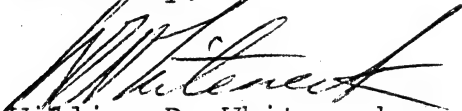
Mr. Thomas W. Hayes

-3-

March 14, 1979

During the current year, the Department of Education and the State Board of Education have provided the opportunity for members of the Legislature and representatives of local educational agencies to become involved in the consideration of funding priorities for PY 1979-80. Hopefully this involvement will result in a better understanding of the options available to the state and ensure equitable funding to all secondary school districts.

Sincerely,



William D. Whiteneck
Deputy Superintendent for Administration
916/445-8950

WDW:br

cc: Wilson Riles
Davis Campbell
Ernie Lehr
Sam Barrett

AUDITOR GENERAL'S COMMENTS CONCERNING
DEPARTMENT OF EDUCATION RESPONSE

The Department of Education implies in their response to the Auditor General report that the difference in federal Vocational Education Act (VEA) funding to large and small districts is relatively insignificant. However, when district grants of VEA funds are analyzed separately, the differences are substantial. For example, the average total grant to a sample of small districts (those having vocational enrollments under 1,000) was \$11,000 or approximately \$20 per pupil, whereas the average total grant to the ten largest districts in 1978-79 (based upon vocational enrollments) was \$710,000 or approximately \$34 per pupil.

The total VEA grants to these ten largest districts exceeded \$7.8 million. Had these districts received per pupil funding equal to that allocated to small districts, they would have received approximately \$4 million less. Funding differences of this magnitude lead to wide variations in individual districts' ability to provide vocational education opportunities.

1978-79 SECONDARY VEA
ALLOCATION FORMULA

The Basic Grant The allocation formula used to determine the distribution of federal funds to secondary districts.

$$DA = SA \left[.25 \frac{(AFDC)}{(AFDC)} + .20 \frac{(LES/NES)}{(State)} + .17 \frac{(VADA)}{(State)} + .17 \frac{(ADA)}{(State)} + .21 \left[(RFA) \times \begin{matrix} \text{Adjust-} \\ \text{ment} \\ \text{Factor} \end{matrix} \right] \right]$$

The factors in the formula are:

1. DA - District allocation
2. SA - State allocation under the basic grant
3. AFDC - Aid to Families with Dependent Children*
4. LES/NES - Limited- and non-English speaking students*
5. VADA - Vocational ADA*
6. ADA - Total ADA*
7. RFA - Relative financial ability multiplied by an adjustment factor

The weights are as follows: AFDC (25%), LES/NES (20%), VADA (17%), ADA (17%), RFA (21%).

In addition, two other formulas are used to allocate funds for disadvantaged and handicapped programs and services. The formulas are essentially the same as the basic grant formula except that factor weights are changed and ADA is removed from the disadvantaged formula, and handicapped enrollment is used in place of ADA in the handicapped formula.

Source: Five-Year State Plan for Vocational Education

1978-79 POSTSECONDARY VEA
ALLOCATION FORMULA

The Basic Grant A community college district's percentage of the allocation of federal funds for community colleges (PA) is determined by the following formula:

$$PA = .26 (RFA) + .15 \frac{(VADA)}{(State)} + .35 \frac{(CLIF)}{(State)} + .24 \frac{(UE)}{(100 (State))}$$

The factors used in the formula are:

1. RFA--A district's relative financial ability
2. VADA--Vocational average daily attendance
3. CLIF--A district's concentration of low-income families
4. UE--A district's unemployment percentage

The weights are as follows: RFA (26%), VADA (15%), CLIF (35%), UE (24%).

In addition, two other formulas are used to allocate funds for disadvantaged and handicapped programs and services. The formulas are largely the same as the basic grant formula except that vocational disadvantaged and handicapped enrollment data are used in place of vocational ADA in the respective formulas.

Source: Five-Year State Plan for Vocational Education.

Office of the Auditor General

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Democratic/Republican Caucus
California State Department Heads
Capitol Press Corps